

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-01

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02

OPIC-03 LAB-04 SIL-01 AGRE-00 PA-01 PRS-01 /086 W

-----008157 080631Z /10

R 072054Z SEP 77

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 3971

INFO AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMEMBASSY MANILA

AMCONSUL AUCKLAND POUCH

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EO 11652: N/A

TAGS: EAID NZ

SUBJECT: RENEWED NEW ZEALAND PROTESTS AGAINST U.S.

PL-480 TITLE II SALES IN THE PHILIPPINES.

1. SUMMARY: NEW ZEALANDERS HAVE AGAIN COMPLAINED OVER U.S. PL-480 SALES OF NON-FAT DRY MILK CUTTING INTO THEIR COMMERCIAL MARKETS. THIS ISSUE IS A PARTICULAR IRRITANT IN OUR BILATERAL RELATIONS. FOR THIS REASON WE WOULD URGE PARTICULAR CARE WHEN SUCH PROGRAMS ARE CONSIDERED. END SUMMARY.

2. IN PRESS STORY ENTITLED "U.S. CHARITY CUTTING N.Z. TRADE", AUCKLAND BASED NEW ZEALAND HERALD PUBLISHED ARTICLE EMPHASIZING HOW U.S. SALES OF NON-FAT DRY MILK TO THE PHILIPPINES UNDER CONCESSIONAL PL-480 TERMS HAD ERODED NEW ZEALAND'S COMMERCIAL MARKET. SUBJECT HAS ALSO BEEN RAISED WITH EMBASSY, DIRECTLY BY NEW ZEALAND FARMERS FEDERATION.

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3. TEXT OF ARTICLE FOLLOWS: "THE DAIRY BOARD SAID YESTERDAY THAT IT WAS LOSING MILK POWDER SALES IN THE PHILIPPINES - ONE OF ITS MAJOR MARKETS - BECAUSE OF A UNITED STATES FOOD AID PROGRAMME. TRADE THIS YEAR HAD ALREADY BEEN CUT BY ABOUT 5,000 TONNES, A BOARD SPOKESMAN SAID. AN AGREEMENT MADE IN THE 1950'S SOUGHT TO

ENSURE THAT INTERNATIONAL SURPLUS DISPOSAL OR FOOD AID PROGRAMMES WOULD NOT DISRUPT NORMAL PATTERNS OF PRODUCTION AND TRADE. THE DAIRY BOARD ENCOURAGED FOOD AID AS LONG AS IT DID NOT CUT ACROSS NORMAL TRADING PATTERNS, THE SPOKESMAN SAID. THE NEW ZEALAND GOVERNMENT HAD TAKEN THE MATTER UP WITH THE UNITED STATES AND THE PHILIPPINES WITH NO APPARENT SUCCESS. THE BOARD ALONE COULD DO LITTLE TO ACHIEVE AN EARLY SOLUTION. THE SPOKESMAN SAID THE UNITED STATES LATE LAST YEAR GAVE 10,000 TONNES OF MILK POWDER TO THE PHILIPPINES. MORE RECENTLY, THE EEC UNDER ANOTHER FOOD AID PROGRAMME, SUPPLIED 3,500 TONNES. THE TOTAL REPRESENTED A THIRD OF THE PHILIPPINES' ANNUAL IMPORTS OF MILK POWDER. IN 1975-76, THE PHILIPPINES' BOUGHT 26,000 TONNES FROM NEW ZEALAND - NEARLY 17 PERCENT OF THIS COUNTRY'S POWDER EXPORTS. STOCKS OF DONATED MILK POWDER HAD STILL TO BE USED AND THE CENTRAL BANK OF THE PHILIPPINES HAD RESTRICTED IMPORT APPLICATIONS FOR SEVERAL MONTHS, WHILE OFFERING THE AMERICAN POWDER FOR SALE AT PRICES WHICH UNDERCUT THE NEW ZEALAND DAIRY BOARD."

4. IF WE ARE CORRECT, SALES IN QUESTION ARE UNDER NEW MONETIZED TITLE II PROGRAM CONCLUDED LAST YEAR AGAINST WHICH NEW ZEALAND EMBASSY PROTESTED AT THAT TIME. AGREEMENT WE BELIEVE INCLUDES A UMR WHICH TOOK ACCOUNT OF NEW ZEALAND'S TRADITIONAL COMMERCIAL INTERESTS. LIMITED OFFICIAL USE

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HOWEVER, IN ORDER THAT WE MIGHT MORE EFFECTIVELY ANSWER NEW ZEALAND QUESTIONS ON THIS MATTER WOULD APPRECIATE DEPARTMENT PROVIDING AN ASAP SUMMARY OF THE ACTUAL AGREEMENT PARTICULARLY COVERING QUESTIONS OF (A) TOTAL AMOUNT OF MILK TO BE PROVIDED THIS YEAR (B) UMR DETAILS (C) PERIOD OF TIME UNDER WHICH MONETIZED TITLE II PROGRAM HAS YET TO RUN.

5. IN RECENT ANZUS TALKS HELD HERE, DEPUTY SECRETARY CHRISTOPHER INFORMALLY AND IN THE MEETING'S WRITTEN COMMUNIQUE MADE POINT, WARMLY RECEIVED BY PRIME MINISTER MULDOON, THAT THE U.S. WAS CONCERNED WITH THE VIABILITY OF THE NEW ZEALAND ECONOMY AND WOULD BE CERTAIN THAT NEW ZEALAND ECONOMIC CONCERNS WERE GIVEN STRONG EMPHASIS IN U.S. POLICY DECISIONS. AGAINST THIS BACKGROUND USE OF NON-FAT DRY MILK IN A MONETIZED TITLE II PROGRAM BECOMES A PARTICULAR IRRITANT IN OUR BILATERAL RELATIONS. AT A TIME WHEN THE NEW ZEALAND ECONOMY IS IN CRITICAL CONDITION AND WHEN OUR OWN COMMERCIAL MARKETS FOR NEW ZEALAND AGRICULTURAL EXPORTS ARE LIMITED BY QUOTA REDUCTIONS, WE WONDER IF THE GAINS FROM A MONETIZED TITLE II PROGRAM IN NON-FAT DRY MILK ARE SUFFICIENT TO OFFSET THE

DAMAGE DONE TO OUR RELATIONS HERE. HOPEFULLY, THIS
CONSIDERATION WILL BE GIVEN FULL WEIGHT IN THE SPIRIT
OF DEPUTY SECRETARY CHRISTOPHER'S ASSURANCES, IF THE
PHILIPPINE PROGRAM IS CONSIDERED FOR RENEWAL NEXT YEAR
OR IF NON-FAT DRY MILK IS PROPOSED FOR INCLUSION
ELSEWHERE WHERE NEW ZEALAND IS SELLING COMMERCIALY.

6. FOR MANILA: WOULD APPRECIATE YOUR COMMENTS ON NZ
PRESS STATEMENT THAT GOP IS RESTRICTING IMPORT APPLICATIONS
FOR REGULAR COMMERCIAL SUPPLIES WHILE OFFERING U.S.
MILK AT SUBSIDIZED PRICES. SELDEN

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Message Attributes

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Decaption Note:
Disposition Action: RELEASED
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Disposition Case Number: n/a
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